



Short-Changed:

The High Cost of Working Poverty for Communities and Families

Making a Case for the Atlanta Living Wage

Presented by the Atlanta Living Wage Coalition
March 2003

Short-Changed: The High Cost of Working Poverty for Communities and Families ***Making a Case for the Atlanta Living Wage***

Every day in Atlanta, thousands of working families struggle to survive on poverty wages. Despite working full-time jobs, they do not earn enough money to cover basic needs. Parents often work two or more jobs, juggle bills and compromise their health to provide food.

In the past decade a grassroots movement to address the problem of working poverty has spread across the country. The living wage movement is based on two principles:

- *People who work full time should be able to support their families above the poverty line.*
- *Employers who receive public dollars should pay their employees a living wage.*

In 1994 Baltimore became the first city to pass a living wage ordinance. As of February 2002 more than 100 cities and counties have joined Baltimore in passing similar ordinances.

The Atlanta Living Wage Coalition was initiated in March 2001 by Atlanta 9to5, the Georgia Citizens' Coalition on Hunger, the Central Labor Council and Project South. The Coalition now includes more than 85 community, labor, women's and religious organizations.

The Problem: Working Poverty in Atlanta

The Self-Sufficiency Standard Report for Georgia, a collaborative project of the University of Washington and the Women's Policy Group in Atlanta, was published in 2002. This report defines a 'basic minimum needs budget' as the amount required by a working family to meet basic needs without assistance from government agencies or private charities.

Monthly Costs in Atlanta	1 adult, 2 children *	Single Person
Housing	\$878	\$720
Childcare	\$301	0
Food	\$345	\$168
Transportation	\$78	\$265
Healthcare	\$313	\$69
Miscellaneous	\$241	\$122
Hourly Self-Sufficiency Wage	\$12.68	\$9.71
Annual Self-Sufficiency Wage	\$26,779	\$20,518

* includes public childcare and healthcare funds

According to this research, a single working adult in Atlanta would need to earn \$9.71/hr., approximately \$20,500/year to meet this standard. A single parent with one pre-schooler and one school-age child would need to earn \$12.68/hr. or \$26,800/year.

However, many jobs in Atlanta pay well below the minimum needs level.

Of all hourly wage positions in Georgia, 63% pay less than \$10.50/hr. The Atlanta metro area accounts for 65% of all jobs in the state. Of the ten fastest growing jobs in Atlanta, six pay \$8/hr. or less. These jobs include retail, cashier and security positions and are expected to account for nearly 175,000 new jobs by 2008.

How much do jobs pay in Georgia? ¹	
% of all hourly jobs	Wage rate/hour
29%	Less than \$7.50
34%	\$7.51-\$10.50
63%	Less than \$10.50

One of the workers whose life would be impacted by a living wage shared her story with us.

My name is Moneqi Dobbs. I am a security officer and also a mother.

I have worked in security at City Hall and at the airport, for a private company. I left the airport in hopes of finding a better paying job. I work at least 40 hours a week, sometimes working an 11 hour shift, at a wage of \$7.00 an hour. I have had to work overtime often just to make ends meet.

I choose to work in security because it is an important job to society. My job is to secure City Hall. We keep the building safe so that events such as September 11th don't happen here.

I currently live with my grandmother who is disabled and my two-year-old daughter. I am the only wage earner in the house. I have to live with my grandmother because it is the only economically feasible option.

The hours I work are especially hard when it comes to spending time with my daughter. I am not able to put her in day care because I have to leave some mornings too early and come home too late some evenings. I also find myself missing important times in her life. I had to miss her 2nd birthday because I was stuck working all day. My current wage is also restricting. I have trouble making ends meet. I am currently in debt because I can't afford to buy even the necessary items

When employers do not pay workers enough to meet basic needs, these workers and their families must often rely on other taxpayer-supported social services such as food pantries, homeless shelters and public health centers. Many fulltime workers also qualify for direct government subsidies including food stamps, Medicaid, public housing and childcare.

One Solution: An Atlanta Living Wage Ordinance

Living wage campaigns address the large and complex issue of working poverty by focusing on a group of low income workers whose wages we as taxpayers can influence: those who work for companies benefiting directly from our tax dollars.

¹ Ask Fred.

² Figures based on 2001 data from the Georgia Department of Labor and the US Bureau of Labor Statistics:
http://www.bls.gov/oes/1999/oes_0520.htm

What are the fastest growing jobs in Atlanta? ²			
Job	# of Workers	Median Wage	Growth Rank
Cashiers	46,590	\$6.94	1
Retail	65,240	\$8.03	3
Clerks	43,230	\$9.85	4
Food Prep	14,450	\$6.45	6
Janitors	25,340	\$7.78	7
Security	23,280	\$7.82	10
Total	194,850 Workers		

With a message of fiscal responsibility and financial self-sufficiency, living wage ordinances have found support from all sectors of the political spectrum. The expenditure of tax dollars on city contracts and development subsidies should be viewed as an investment in the city and its working families. Elected officials and citizens must be assured of a positive return on their investment in the form of jobs that allow workers and families to support themselves with a minimum of government assistance.

The Atlanta Living Wage Ordinance will affect three groups of workers:

- employees of the City,
- employees of companies receiving service contracts from the City of \$25,000 or more per year,
- employees by companies receiving tax abatements, grants, or other financial assistance of \$50,000 or more per year from the City.

City workers

Thanks to Mayor Shirley Franklin, the Atlanta City Council and the Atlanta Living Wage Coalition, direct city workers have already benefited from the Atlanta Living Wage Campaign. As of January 1, 2003, approximately 600 city workers (about 8% of the city workforce) receive wage increases to bring their annual salary to \$22,000/year. This one-time adjustment cost approximately \$800,000 or just ¼ of 1% of the 2003 City budget. The Atlanta Living Wage Coalition applauds this important first step. The living wage ordinance will index this wage rate to the Consumer Price Index, ensuring that city workers continue to earn living wages.

Contracts

Atlanta utilizes a wide array of contracted companies keep the city safe, clean and beautiful. Millions of tax dollars are spent on contracts for security, landscaping, and housekeeping. Hundreds janitors, van drivers, parking lot attendants and security guards at Hartsfield Airport are employed through City contracts. The Research Committee of the Atlanta Living Wage Coalition has worked for 18 months to obtain information about these contracts, the employers and workers. Companies receiving contracts of \$25,000 or more annually would be covered by the living wage ordinance.

The committee acquired a list of City contracts that included all service-oriented industries and met with representatives of the Department of Procurement to view some of these files. Although a Contract Employment Report, including total numbers, job type, gender and race of all workers is required for all city contracts, only one contract we reviewed had this information on file. Currently, no information about wages or benefits is collected or required. The proposed living wage ordinance will provide a means to track job creation and wage rates in order to measure the success of each project

Major service contractors include:

Barton Security

- Contract since 1996
- Received \$2,363,210 for city-wide security and \$1,137,160 for airport gate-guard security in 2001

- Wages from \$7 to \$9.96/hour for the lowest level of security and to \$10.18 for the highest level. The file clearly stated that wages were *not to exceed* these levies.
- Demographic information was not included within this file.

The Research Committee has spoken with seven employees of Barton Security and has learned that all of them make less than \$7.15/hour.

Dustaway Incorporated

- Contract since 1998
- Received \$176,970 for janitorial services at the Civic Center in 2001
- No wage or benefit information could be obtained

R. Enterprises

- Contract since 1996
- Received \$426,000 for city-wide janitorial services in 2001
- No wage or benefit information could be obtained

WCC Landscaping Maintenance Co.

- Contract since 1995
- Received \$114,000 for airport landscaping in 2001
- Has had other contract with the City, MARTA, and the Atlanta Housing Authority

The Research Committee also tried repeatedly to contact each of the companies; however, only Barton Security answered their phone or had an office at the address listed on the their contract. Attempts were also made to obtain a list of contracts that are paid more than \$25,000 annually, but the database where this information is stored made it impossible to compile such a list.

Economic Development

Like most cities, Atlanta uses an economic development program to promote city growth and revitalization. The Atlanta Development Authority (ADA), created by the city and chaired by the Mayor, oversees these incentives. ADA requires all of its programs to provide public benefits; however, these benefits are not always tracked or measured. The Atlanta Living Wage Ordinance would not only secure economic benefits for the workers involved, but also provide a means to track job creation and wage rates in order to measure the success of each project. Programs covered by the ordinance would be any receiving \$50,000 or more per year from the City of Atlanta, or in benefits from a city lease.

Some of the major financial development projects include:

Atlantic Steel Brownfield Tax Allocation District

- Received \$85 million in tax allocation bonds from the city to clean and redevelop the Atlantic Steel Mill Site
- Will create 2,000 jobs, mostly in retail, hospitality, and maintenance

Westside Tax Allocation District

- Received \$14.9 million dollars in bond allocations
- Expected to create 13,000 jobs, including housing, hospitality, retail, and maintenance

The ADA also oversees several commercial development loan programs. Two of these, the Business Improvement Loan Fund and the Phoenix Fund, already call for the creation of a certain number of jobs. The BILF also falls under the Federal Davis-Bacon Wage Act, which requires beneficiaries to pay prevailing wage rates. These two funds, along with Small Business Administration (SBA) 504 loans and Industrial Revenue bonds, help Atlanta finance business start-up, expansion, and relocation to benefit the city.

The ADA also operates the Atlanta Empowerment Zone Projects, Multi-Family Bonds, Commercial Industrial Property Tax Abatements, and the Leases and Sale of City Property. Projects under these categories would include the concessions at Hartsfield International Airport.

To ensure that the Atlanta Development Authority meets its standards of community benefit, the Coalition recommends that all positions funded by the Authority be brought to a living wage standard and that all employers, including to those subject to prevailing wage laws such as the Davis-Bacon Act, provide annual wage and employment data in order to track the number of jobs created and the wages paid.

Community Development Block Grants

The federal government provides cities and urban counties flexible grant money called Community Development Block Grants (CDBG). These grants fund neighborhood revitalization, affordable housing expansion, and the improvement of community facilities and services. CDBG grants are meant primarily to benefit low and moderate-income persons. In 2002 the City of Atlanta received \$12,508,000 in CDBG funds.

Organizations receiving \$50,000 or more in CDBG funds would also be covered by the living wage ordinance. CDBG recipients are already required to pay funded staff at least a minimum wage plus health benefits. Of those organizations receiving \$50,000 or more, in 2002, only eight employ full-time personnel making less than \$22,000. The total number of workers whose wages would be impacted by the \$10.50/hr requirement are 10 full-time and 5 - 10 part-time worker, at an approximate cost of approximately \$135,239.

A Note on Construction Jobs, Contracts and Projects

Through national and local Davis-Bacon Acts, also known prevailing-wage laws, construction projects funded by federal or city funds require wage rates that are at least the average for the industry in that area. Because of a combination of skills requirements and unionization of this workforce, nearly all jobs covered by Davis Bacon pay well above the \$10.50/hr rate. In recognition of this existing wage protection mechanism, and at the request of the Mayor and the AFL-CIO, the Atlanta ordinance specifically exempts employers already covered by these laws.

Costs of a Living Wage Ordinance

The cost of raising 600 direct City workers, representing 8% of the city workforce to a minimum salary of \$22,000/year was \$800,000; approximately 1/4 of 1% of the 2003 budget.

As the living wage movement has defied the predictions of critics. Opponents forecasted dire consequences following the passage of living wage ordinances, including job loss and displacement,

harmful effects to small business and nonprofits, high costs to the city, a decrease in contract bids, and an overall reputation that the city or county in question was not “business friendly.” Studies conducted by both supporters and opponents of the living wage however, disprove these fears and demonstrate a positive economic impact.

An accurate estimate of the cost of this ordinance would be very difficult to provide, both because information about Atlanta contracts has been difficult to obtain, and because the rolling impact of wage increases as contracts come up for renewal, make forecasting very difficult.

What is however useful is to look at the numerous studies of the economic impact of living wage ordinances now available.

The Baltimore ordinance was the subject of two different research studies, one and three years after passage. Both found that the city experienced no increase in contract costs above normal inflation and there was no significant reduction in the numbers of firms bidding on these contracts. Less skilled workers continued to find employment, and businesses were not deterred from operating in Baltimore. In fact, businesses reported actual gains due to the living wage. Employee moral and productivity went up, while employee turnover went down³.

Studies in Detroit, Los Angeles, New Orleans, Miami-Dade County, Chicago, and San Francisco all found the costs to employers to be modest, usually less than 1% of their operating budgets.

Taxpayers also found the costs palatable: only \$100,000-\$200,000 was spent on monitoring the ordinance, in comparison to city budgets in the billions⁷.

A 2002 study by The Brennan Center for Justice at New York University analyze data from 22 living wage cities to discover the impact of the ordinances on local contracts and economic development plans.

This report shows that only a small percentage of contracts experienced increased costs. Most cities did not experience a significant overall increase in contract costs, but reported increases between .02% and .07% of the locality's budget. These costs fell below initial expectations. One reason for low costs, as reported by officials in Hayward, California, was that companies holding the contracts absorbed much of the expenditure instead of passing it on to the city. Another possibility was that localities and companies negotiated a split in the increased costs. Pasadena, California, is an example of a city where this plan worked.

³ Mark Weisbrot and Michell Sforza-Roderick. *Baltimore's Living Wage Law: An Analysis of the Fiscal and Economic Costs of Baltimore City Ordinance 442* (Baltimore: The Preamble Center for Public Policy, 1998). N. Christopher, Greg Ruiters, Dara Wise, and Erica Schoenberger. “The Effects of the Living Wage in Baltimore” (Washington, D.C.: The Economic Policy Institute, 1999).

⁴ David Reynolds, Rachel Pearson, Jean Varlamp. *The Impact of Detroit's Living Wage Ordinance* (Detroit: Urban and Labor Studies Centers, Wayne State University, 1999). Robert Pollin and Stephanie Luce. *The Living Wage: Building a Fair Economy* (New York: New Press, 1998). Bruce Nissen. “The Impact of a Living Wage Ordinance on Miami-Dade County” (Florida: Florida International University, 1999). Stephanie Luce and Robert Pollin. “The Impact of a Living Wage Ordinance on New Orleans” (Massachusetts: Political Economic Research Institute, University of Massachusetts, forthcoming). Michael Reich and Peter Hall. *Living Wages Among San Francisco Contractors and Home Healthcare Workers* (California: Institute of Industrial Relations, University of California, 1999). Jason Hardy and Arthur Lyons. *Financial Impact of the Proposed Chicago Living Wage Ordinance* (Chicago: Center for Economic Policy Analysis, 1997).

The impact on economic development programs was more complicated to ascertain. Typically, the living wage requirement did not result in fewer applicants for economic subsidies. Only one city reported that the wage requirements had any impact on the type of companies seeking economic incentives. However, most administrators felt that some additional costs were worthwhile. As an administrator in Ypsilanti Township said, "The Township Board feels that if you are going to cut a person's taxes to promote economic development, it is only worthwhile if the employees are making a decent living standard."

Benefits of a Living Wage Ordinance

A September 2001 study of the San Francisco Int'l. Airport (SFO), conducted by UC Berkeley, provides documentation of benefits to employers, consumers and the community of living wage increases. Security concerns following the Sept. 11th 2001 attacks led many to conclude that improving jobs, pay and benefits could have a direct impact on homeland security. According to a 1999 report by the General Accounting Office, turnover among airport screeners at Hartsfield annual turnover exceeded 400 percent.

A Quality Standards Program (QSP), begun in April 2000 required wage rates of \$10/hr with benefits or \$11.25 without for all contracted jobs at SFO, as well as other benefits and training. Entry-level wages for those covered by the program increase an average of almost \$3/hr.

Finding of this study include:

- Turnover rates fell dramatically. Three major security firms reported turnover rates falling from 110% to 25% .
- Employers reported improvement in overall job performance and greater ease in recruiting more skilled applicants.
- Positive impacts of the QSP were felt throughout the airport. Employers reported reduced absenteeism, fewer disciplinary problems and higher morale.
- The costs of QSP to airport travelers were modest. Estimated direct cost of the wage and health benefit increases were approximately \$1.37 for each airport passenger.

Summary and Conclusions

If Atlanta is to become a world class city, we must insure that working families are not forced to live in poverty. We cannot build a strong community when people who work full time are not able to provide a safe and dignified life for their families. When workers are paid a living wage, they are more able to support local businesses, pay more in taxes, and contribute to their families and communities as active participants.

Setting a living wage standard for companies that benefit from tax dollars will provide a level playing field, so that firms will compete for contracts and economic development assistance based on quality of service, not how much they can save in labor costs.

The Atlanta Living Wage Coalition recommends an Atlanta Living Wage ordinance that will require:

- **A Living Wage rate of \$10.50/hr with health benefits or \$12/hr without. This rate will be adjusted annually based on the Consumer Price Index.**
- **The ordinance will cover direct City workers and those employed by contractors receiving \$25,000 or more annually and those receiving financial assistance of \$50,000 or more annually.**
- **Yearly reporting on jobs created through City-funded contracts and financial assistance, including total number and type of jobs, wage rates and benefits offered and the gender and racial breakdown of the workforce.**

.....